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DE RUEHBW #0366/01 1181139
ZNY CCCCC ZZH
R 281139Z APR 09
FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC 1219
INFO RUEHZN/EUROPEAN POLITICAL COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHDC
RHEHNS/NSC WASHDC
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C O N F I D E N T I A L BELGRADE 000366

SIPDIS

E.O. 12958: DECL: 04/28/2019

TAGS: PGOV PREL SR

SUBJECT: SERBIA: LOCAL GOVERNMENTS IN SANDZAK REGION
FEELING ECONOMIC PRESSURE

REF: A. A) BELGRADE 352 B) BELGRADE 63
¶B. C) BELGRADE 304

Classified By: Classified by Acting DCM Troy Pederson, Reasons 1.4 (b,d)
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Summary

¶1. (SBU) Municipal governments in the Sandzak, the southwestern, predominantly Muslim, region of Serbia, are facing budget shortfalls, economic stress, and the threat of political instability as Serbia's economic crisis unfolds. Novi Pazar Mayor Djerlek is facing growing opposition within his own party as he makes unpopular moves to face the city's crushing municipal debt. The city of Tutin continues to suffer from neglect, while the opposition in Priboj actively plots to overthrow the local governing coalition and local leaders in Nova Varos struggle to reestablish a stable government. The GOS's proposal to cut revenue transfer payments to municipal governments by a third (Ref A) will hit Sandzak hard and raises the risk of social unrest. End Summary.

Novi Pazar Mayor Worn But Focused

¶2. (C) Novi Pazar Mayor Mirsad Djerlek of the Sandzak Democratic Party (SDP) is facing dissension within his own party, but voiced confidence that he was making slow progress toward placing his municipality on sure financial footing. Admitting that he has been under a lot of pressure recently (and showing us a stress-induced sore on his hand as evidence), Djerlek told us on April 8 that he had reached agreement with Minister of Economy Dinkic to resolve the status of land surrounding the state enterprise Raska over the next several months (Ref B). He added that measures to cut state administration and salaries, while issues for the opposition to exploit, did not threaten the stability of his government. Djerlek, who is coming under growing criticism for his failure to delegate authority, admitted that some in his party objected to his leadership style but ascribed such concerns to reductions in financial privileges his detractors had enjoyed as Djerlek moved to resolve the city's \$17 million debt. (A Djerlek aide told us privately that only 15 to 20 percent of SDP members objected to Djerlek's policies, a figure he claimed was not unusual for the SDP.) Djerlek said that the rival Sandzak Party for Democratic Action (SDA) had rebuffed his outreach efforts but that the local Serbian Radical Party (SRS) head in Novi Pazar, Assembly Speaker Milan Veselinovic, had proven to be surprisingly "normal and constructive", though Veselinovic remains publicly supportive of Hague-indictee and SRS President Vojislav Seselj.

¶3. (C) Commenting on the ongoing feud between the two rival Islamic communities he had tried to reconcile earlier in the year (Ref B), Djerlek said that he saw reconciliation as hopeless and efforts by the Turkish Ambassador to bring the two sides together were "a large mistake" as it gave the rival muftis too much attention. (Turkish Ambassador Umar in early April separately hosted rivals Mufti Zukorlic and Reis Zilkic in Belgrade. Zukorlic and Zilkic ultimately signed a joint statement agreeing to avoid violence and work to a peaceful resolution of differences.) It would be better for the international community to "just forget them" and focus dialogue and support on city authorities, Djerlek said.

Tutin Depressed and Isolated

¶4. (SBU) The small, impoverished city of Tutin, near Serbia's border with Montenegro, remains politically stable despite growing isolation from the rest of Serbia. Firmly entrenched with an absolute majority in the local assembly, Tutin Mayor Bajro Gegic (SDA) told us that his city has the least chance of experiencing political instability in the Sandzak region, and that any instability could only be orchestrated and instigated from above. Noting that 70 percent of the municipal budget relies on revenue transfers from Belgrade, Gegic said that even a 1 percent reduction in the state funds Tutin receives would have a significant negative impact on services the city will be able to provide. Gegic said that the numerous problems Tutin faced * such as the absence of drinkable water and unpaved roads * were being neglected by the Serbian government and remain

unaddressed by the National Investment Plan. Only the Turkish aid agency TIKA demonstrated interest in assisting the city, though Gegic was uncertain they would be able to follow through. (We understand that the GOS has so far been unwilling to accredit TIKA.) Gegic said that there was minimal cooperation among the cities of the Sandzak and condemned the international community's focus on Novi Pazar (led by SDP rival Djerlek).

¶5. (SBU) The President of the Tutin-based NGO Impuls, Dzenta Agovic, told us that Tutin today resembled Serbia under Milosevic: immovable single-party rule; the absence of viable political alternatives; SDA control of local media; control over citizens through religious dignitaries; and the dominance of mafia-tycoons in the local economy. Agovic said the division between the Islamic communities led to the creation of two parallel societies in Tutin dividing the population in their political, social and even family life.

Opposition to Challenge Government in Pribanj

¶6. (SBU) Worsening economic conditions and unconstructive leadership by the Serbian Progressive Party (SNS)-led government has emboldened opposition parties in Pribanj to challenge the municipal government. (The governing coalition of SRS-DSS-NS-SDA was initially supported by the 4 votes of Socialist Party-Pensioners Party coalition (SPS-PUPS), but the Democratic Party (DS)-led opposition remains 2 votes short of a majority with SPS-PUPS.) Local SPS chairman Svetomir Gordic told us that he intended to "destroy the current government" and was awaiting approval and assistance from SPS leadership in Belgrade to do so. Gordic condemned the local government's lack of a development plan and disproportionately high wages for city officials. He also admonished one local government official who called Minister of Economy Mladjan Dinkic "the worst criminal in Serbia's history." Gordic claimed this comment was the reason that Pribanj did not receive any funds from the National Investment Plan despite submitting 20 projects for consideration.

¶7. (SBU) Local DS head Milenko Milicevic agreed with Gordic's assessment that replacing the current government was the only solution to restoring economic growth to Pribanj. Milicevic noted that Pribanj received about 50 percent of its

municipal budget from revenue transfers and Priboj's removal from the status as an "undeveloped municipality" under the 2007 self-government law was counterproductive. The economic crisis was not exceptional for Priboj, Milicevic added, but said that the SNS and SRS could benefit politically by tapping into voters' insecurities.

Nova Varos Mayor Claims Stability

¶8. (SBU) In the medium-sized city of Nova Varos, located near the center of the Sandzak region, leadership of the DS-led government emphasized its stability and sought to downplay political risks of the economic crisis. (The government lost its one-vote majority in early March after a DS member joined the opposition; the DS-led coalition returned to power after replacing this rogue DS member in late March.) Nova Varos Mayor Slavisa Puric (DS) told us he had full confidence that the current government was stable because the party had resolved the issue with the dissident DS member. Branislav Dilparic of SPS, former mayor and currently assembly speaker, told us the recent local government crisis helped homogenize the ruling coalition "which was never as stable." Puric said that the economic crisis would not undermine political stability in Nova Varos, but conceded that a reduction in revenue transfers to Nova Varos (which currently make up a third of the city's revenues) would pose challenges to the city's ability to function. Puric said that he enjoyed good cooperation with the SNS mayors of Prijepolje and Priboj, but said the lack of local expertise and poor coordination prevented articulation of more ambitious projects that could benefit the whole region.

Comment

¶9. (SBU) The combination of worsening economic conditions, perceived neglect from Belgrade, fierce rivalry between SDP and SDA, and intra-Islamic divisions makes the Sandzak especially vulnerable to social unrest as Serbia's economy

worsens. The high reliance of most municipal budgets on revenue transfers from Belgrade will make the anticipated cuts to local budgets painful, and particularly worrisome for highly-indebted Novi Pazar (which receives 35 percent of its municipal budget from transfers). While we do not anticipate a revival of political radicalization, growing hardship could easily lead to social unrest and protests that in the long term could undermine political stability in the Sandzak. End Comment.

MUNTER